HOUSING MARKET INFORMATION

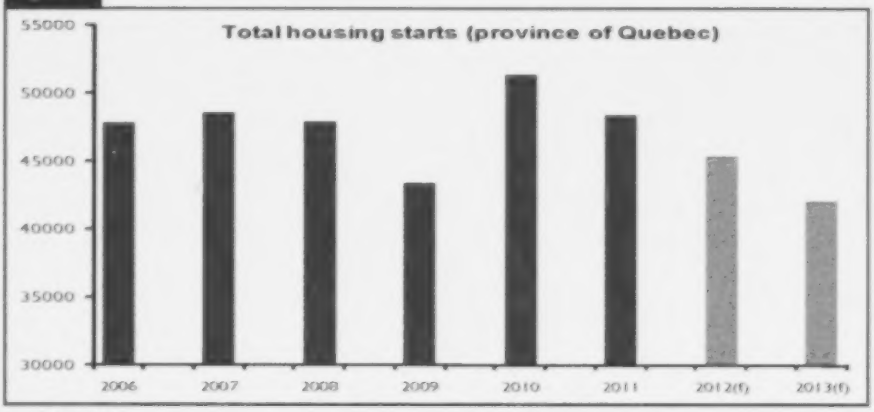
HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Third Quarter 2012

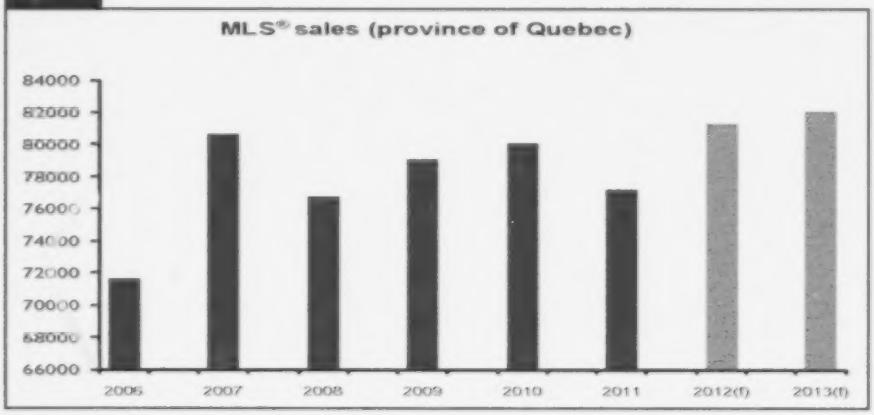
Housing Market Forecast

Figure 1



Source: CMHC

Figure 2



Source: CMHC

[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document reflect information available as of July 25, 2012.

Overview[1]

In Quebec, the impact of slower economic growth will be attenuated by still favourable low mortgage rates and demographic factors, which will again support new home construction in 2012 and 2013. The current climate of uncertainty regarding economic prospects abroad will call for a more cautious attitude domestically and may lead to less vigorous household spending and private investment this year. This environment, combined with a more balanced resale market, is expected to moderate the demand for new homes.

In the coming years, demographic factors will sustain the province's housing markets, but at the same time change their complexion. While sustained net migration to the province will continue to have a positive impact on the rental and resale markets, migration numbers are expected to remain stable over the coming years as no significant change in immigration targets is expected. Population aging, on the other hand, will have a growing impact on the dynamics of the housing market in Quebec, as older households are

expected to re-enter the market in response to their changing housing needs.

In Detail

Single Starts

In 2011, slower job growth, the recent easing of the resale market and the continuing trend toward the multi-family dwellings have brought down single starts. As a less pronounced decline is expected over the next two years, a total of 15,700 single-detached homes is forecast for 2012. In 2013 single starts should moderate to 15,000 units. The rising popularity of the more affordable multi-family homes and densification trends will further cool this market segment in the future.

Multiple Starts

Following a year of sustained construction in 2011, starts of multi-family dwellings will settle back to more sustainable rates in the next two years. Multiple starts are forecast to be 29,700 this year and 27,100 units in 2013.

Resales

After recording a slight drop last year, sales recorded by the MLS® will bounce back up in this year. This year will see sales of existing condominiums (town houses or apartments) moderate. As a result, 81,300 MLS® unit sales are forecast in 2012 and 82,100 in 2013.

Prices

Relatively stable demand for resale homes, combined with rising supply, has already taken some pressure off prices in recent quarters and should continue to do so in the near term. With a return to more balanced conditions, price growth in the resale market will moderate over the course of 2012 and in 2013. For 2012, the average MLS® price is forecast to be $271,600 while 2013 will see an increase to $277,800.

Mortgage Rates

CMHC uses publicly available information and the consensus among major Canadian forecasters regarding interest rates. Although there is significant uncertainty, mortgage rates are not expected to rise in the short term and will remain low by historical standards.

According to CMHC's base case scenario, for 2012, the one-year posted mortgage rate is expected to be in the 3.2 to 3.4 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.3 per cent. For 2013, the one-year posted mortgage rate is expected to rise and be in the 3.5 to 4.2 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.4 per cent, reflecting more solid economic growth prospects as 2013 progresses.

Mortgage rates		
1 Year	Q2 2012	3.20
	Change from Q2 2011	-0.43
	2012 (F)	3.37
	2013 (F)	3.78
5 Year	Q2 2012	5.34
	Change from Q2 2011	-0.22
	2012 (F)	5.26
	2013 (F)	5.37

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q2 2012 data

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Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)
Gatineau	Q2 2012	0.7	6.1	913.74	Q2 2012	1,118	250	868	1,343	244,958
	Q2 2011	2.8	6.6	868.73	Q2 2011	818	281	537	1,215	236,309
	Change[1]	-2.1	-0.5	5.2%	% Change	36.7	-11.0	61.6	10.5	3.7
Montréal	Q2 2012	0.3	8.8	802.21	Q2 2012	6,152	1,304	4,848	13,350	328,694
	Q2 2011	0.6	8.1	763.73	Q2 2011	5,892	1,497	4,395	12,106	317,877
	Change[1]	-0.3	0.7	5.0%	% Change	4.4	-12.9	10.3	10.3	3.4
Québec	Q2 2012	4.4	5.0	815.29	Q2 2012	2,210	465	1,745	2,230	260,782
	Q2 2011	0.3	5.7	763.16	Q2 2011	1,777	515	1,262	2,061	251,038
	Change[1]	4.1	-0.7	6.8%	% Change	24.4	-9.7	38.3	8.2	3.9
Saguenay	Q2 2012	9.1	6.1	771.59	Q2 2012	367	169	198	498	195,768
	Q2 2011	-3.8	7.5	734.32	Q2 2011	304	180	124	461	181,242
	Change[1]	12.9	-1.4	5.1%	% Change	20.7	-6.1	59.7	8.0	8.0
Sherbrooke	Q2 2012	-4.8	7.7	707.90	Q2 2012	581	211	370	467	220,079
	Q2 2011	9.6	6.3	705.19	Q2 2011	506	189	317	519	222,003
	Change[1]	-14.4	1.4	0.4%	% Change	14.8	11.6	16.7	-10.0	-0.9
Trois Rivières	Q2 2012	2.3	8.2	768.00	Q2 2012	386	125	261	308	161,632
	Q2 2011	3.0	8.7	712.31	Q2 2011	303	113	190	281	156,218
	Change[1]	-0.7	-0.5	7.8%	% Change	27.4	10.6	37.4	9.6	3.5
Quebec	June 12	0.5	7.7	784.44	Q2 2012	15,102	5,375	9,727	24,988	273,658
	June 11	0.8	7.9	752.07	Q2 2011	14,150	5,540	8,610	22,985	263,861
	Change[1]	-0.3	-0.2	4.3%	% Change	6.7	-3.0	13.0	8.7	3.7
Canada	June 12	1.0	7.2	862.03	Q2 2012	62,025	24,812	37,213	148,903	373,782
	June 11	1.4	7.4	836.55	Q2 2011	52,625	23,677	28,948	141,628	374,004
	Change[1]	-0.3	-0.2	3.0%	% Change	17.9	4.8	28.6	5.1	-0.1

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[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®
"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the MLS® sales and average price for Q4, became available after the cut-off date of January 18th 2012. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook
(units and percentage change)

	2007	2008	2009	2010	2011	2012(F)	2013(F)	2012Q1	2012Q2 (E)	2012Q3 (F)	2012Q4 (F)
Housing Starts:											
Single	22,177	19,778	17,535	19,549	16,554	15,700	15,000	16,100	16,000	15,500	15,250
%	1.2	-10.8	-11.3	11.5	-15.3	-5.2	-4.5	-3.6	-0.6	-3.1	-1.6
Multiple	26,376	28,123	25,868	31,814	31,833	29,700	27,100	25,200	36,500	29,000	28,000
%	1.6	6.6	-8.0	23.0	0.1	-6.7	-8.8	-19.7	44.8	-20.5	-3.4
Total	48,553	47,901	43,403	51,363	48,387	45,400	42,100	41,300	52,500	44,500	43,250
%	1.4	-1.3	-9.4	18.3	-5.8	-6.2	-7.3	-14.1	27.1	-15.2	-2.8
Existing Home Markets:											
MLS® Sales	80,647	76,752	79,108	80,028	77,177	81,300	82,100	80,304	81,856	82,000	81,000
%	12.6	-4.8	3.1	1.2	-3.6	5.3	1.0	-1.2	1.9	0.2	-1.2
MLS® Average Price	207,531	215,323	225,368	241,456	261,618	271,600	277,800	269,093	270,823	272,500	274,000
%	6.3	3.8	4.7	7.1	8.4	3.8	2.3	-2.7	3.5	-0.1	-0.3

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Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the MLS(R) sales and average price for Q4, became available after the cut-off date of January 18th 2012. As a result, this data was not considered for the forecast.

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

Quebec Region - Housing Forecast Ranges

	2012			2013		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	45,400	47,400	43,300	42,100	45,200	37,700
Multiple	29,700	31,000	28,400	27,100	29,500	23,800
Single	15,700	16,400	14,900	15,000	15,700	13,900
MLS® Sales	81,300	84,400	77,200	82,100	85,000	77,200
MLS® Average Price ($)	271,600	279,300	259,300	277,800	291,400	263,600
Canada						
Housing Starts	207,200	217,000	196,800	193,100	207,400	173,000
Multiple	123,700	129,300	117,900	109,000	118,800	95,500
Single	83,500	87,700	78,900	84,100	88,600	77,500
MLS® Sales	466,600	485,200	442,300	469,600	487,600	440,500
MLS® Average Price ($)	368,000	378,400	351,300	377,300	395,800	358,000

Sources : CMHC

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Quebec Region Housing Forecast - New Construction

	Housing Starts	2011	2012(F)*	% chg (2011/2012)	2013(F)*	% chg (2012/2013)	YTD 2012**	YTD 2011**	% chg (2011/2012)
Gatineau	Single-Detached	784	675	-13.9	625	-7.4	334	391	-14.6
	Multiple	1,636	2,225	36.0	1,600	-28.1	1,157	855	35.3
	Total	2,420	2,900	19.8	2,225	-23.3	1,491	1,246	19.7
Montréal	Single-Detached	4,653	4,000	-14.0	3,800	-5.0	2,045	2,411	-15.2
	Multiple	18,066	16,100	-10.9	15,200	-5.6	7,510	7,859	-4.4
	Total	22,719	20,100	-11.5	19,000	-5.5	9,555	10,270	-7.0
Québec	Single-Detached	1,349	1,250	-7.3	1,100	-12.0	678	730	-7.1
	Multiple	4,096	4,100	0.1	3,900	-4.9	2,335	2,157	8.3
	Total	5,445	5,350	-1.7	5,000	-6.5	3,013	2,887	4.4
Saguenay	Single-Detached	475	375	-21.1	350	-6.7	185	264	-29.9
	Multiple	384	675	75.8	475	-29.6	316	193	63.7
	Total	859	1,050	22.2	825	-21.4	501	457	9.6
Sherbrooke	Single-Detached	557	575	3.2	525	-8.7	318	256	24.2
	Multiple	1,018	1,075	5.6	1,025	-4.7	614	583	5.3
	Total	1,575	1,650	4.8	1,550	-6.1	932	839	11.1
Trois Rivières	Single-Detached	335	330	-1.5	330	0.0	155	138	12.3
	Multiple	779	690	-11.4	570	-17.4	410	275	49.1
	Total	1,114	1,020	-8.4	900	-11.8	565	413	36.8

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - June

Quebec Region Housing Forecast - Resale Market

		2011	2012(F)*	% chg (2011/2012)	2013(F)*	% chg (2012/2013)	YTD 2011*	YTD 2012*	% chg (/)
Gatineau	MLS® Sales[1]	3,859	4,150	7.5	4,100	-1.2	2,114	2,299	8.8
	MLS® Avg. Price[1]	234,268	244,000	4.2	251,000	2.9	234,030	241,010	3.0
Montreal	MLS® Sales[1]	40,362	42,500	5.3	43,100	1.4	23,780	25,522	7.3
	MLS® Avg. Price[1]	314,013	326,000	3.8	335,000	2.8	310,141	323,342	4.3
Québec	MLS® Sales[1]	7,201	7,750	7.6	7,900	1.9	4,058	4,502	10.9
	MLS® Avg. Price[1]	247,138	260,000	5.2	270,000	3.8	246,368	257,814	4.6
Saguenay	MLS® Sales[1]	1,357	1,450	6.9	1,475	1.7	770	856	11.2
	MLS® Avg. Price[1]	178,951	190,000	6.2	198,000	4.2	177,413	189,151	6.6
Sherbrooke	MLS® Sales[1]	1,760	1,800	2.3	1,850	2.8	1,021	1,020	-0.1
	MLS® Avg. Price[1]	215,449	220,000	2.1	228,000	3.6	215,156	213,270	-0.9
Trois Rivieres	MLS® Sales[1]	972	1,025	5.5	980	-4.4	548	611	11.5
	MLS® Avg. Price[1]	156,919	161,500	2.9	165,000	2.2	158,956	159,351	0.2

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Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

[1] Source for the CMA's : QFREB by Centris®, YTD: January to June

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - June

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2011	Oct 2012(F)	Oct 2011	Oct 2012(F)
Gatineau	2.2	2.1	731	750
Montréal	2.5	2.3	719	730
Québec	1.6	1.8	718	730
Saguenay	1.4	1.0	557	570
Sherbrooke	4.7	4.7	577	590
Trois Rivières	3.9	4.2	547	565
Canada	2.5	2.2	0	0

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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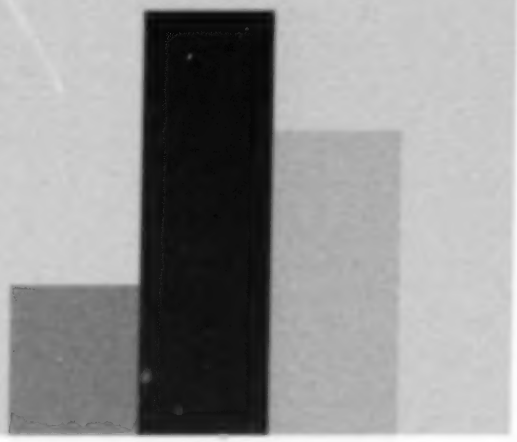

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